

Washington DC— Congressman Joe Sestak (D-PA) voted for the Patent Reform Act of 2007, the first comprehensive modernization and revision of the patent law in 55 years, but only after voting against the House Rule for consideration of the bill to express his concern about certain provisions in the bill. — “While this legislation is not perfect and there is much work to still be done, the Patent Reform Act prudently and fairly addresses those elements of current law which have been identified as needing reform to ensure that in the 21st Century our patent law continues to promote the progress of science and innovation to ensure our nation’s global economic competitiveness, while responding to new developments in the marketplace and patent law,” said Congressman Sestak, “This bill represents the successful product of six years of work by the House Judiciary Committee, and I look forward to working with Chairman Berman to address concerns important to the businesses in my District.”

Congressman Sestak was one of the few Democrats to oppose the House Rule to consider Patent Reform Act, citing concerns over the damages, post-grant opposition, and USPTO rulemaking authority provisions. Following his bold vote, Joe received a commitment from Representative Howard Berman, Chairman of the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property, to work with him to address those issues in the Senate Conference.

The Patent Reform Act of 2007 overhauls the system of awarding patents, awarding of damages for patent infringement, and reviewing and challenging patents. The main provisions of the bill include:

Right of the First Inventor to File

The Act converts the U.S. patent system from a first-to-invent system to a first-inventor-to file system. The measure gives priority to those who first file for a patent, instead of those found to have first invented the product or process, in an effort to shorten the process of awarding a patent and reduce litigation over who is the inventor of the patented product or process. This provision added needed clarity and certainty into the patent system. While cognizant of the enormity of the change that a “first inventor to file” system may have on many small inventors and universities, a grace period is maintained to substantially reduce the negative impact to these inventors.

New Formula for Calculating Fair and Equitable Remedies

This section provides guidance to courts and juries to ensure inventors are compensated fairly, while not discouraging innovation with excessive damage awards. While preserving the right of patent owners to receive appropriate damages, the bill provides optional methods to ensure that the patent owner is rewarded for the actual value of the patented invention.

Willful Infringement

The legislation contains certain limitations on willful infringement. This section provides that a court may only find willful infringement if the patent owner shows, by clear and convincing evidence, that (1) the infringer, after receiving detailed written notice from the patentee, performed the acts of infringement, (2) the infringer intentionally copied the patented invention with knowledge that it was patented, or (3) after having been found by a court to have infringed a patent, the infringer engaged in conduct that again infringed on the same patent. An allegation of willfulness is subject to a "good faith" defense.

Post-Grant Procedures

The bill creates a new post-grant review process that lowers the requirement for a challenging party to show a patent to be invalid. Current law requires "clear and convincing evidence" that the patent is invalid, but the bill requires a "preponderance of evidence." The Patent Office would collect fees from those challenging patents to conduct this process. The bill replaces the Board of Patent Appeals and Interferences with the new Patent Trial and Appeal Board, which would be charged with reviewing adverse decisions of examiners upon applications and re-examination proceedings, determining priority and patentability and presiding over the new post-grant review proceedings.

Prohibit Tax Strategy Patents

Under current law, "tax strategy" patents are allowed and are considered a subclass of business method patents. The bill prohibits the granting of patents for tax planning methods. The measure specifically prohibits the issuance of patents for the following:

- Strategies for reducing tax liability;
- Investment strategies that include sheltering income from tax liability; and
- Strategies for minimizing taxes on investment returns.

The bill does not invalidate tax strategy patents that already have been awarded, but states that such patents are not to be considered as validated by the bill and that it is not the sense of Congress that such patents should remain valid.

Submissions by Third Parties and Other Quality Enhancements.

H.R. 1908 will improve patent quality by creating a mechanism for third parties with knowledge of the subject matter of a claimed invention to submit relevant information about prior art to the USPTO. The availability of addition information to the examiner will substantially enhance patent quality.

Venue and Jurisdiction.

This legislation limits the venue in which suits could be filed for patent infringement to the judicial district, in which the defendant resides or operates. Specifically, the addresses extensive forum shopping and provides for interlocutory appeals to help clarify the claims of the inventions early in the litigation process. The Patent Reform Act would restore balance to this statute by allowing cases to be brought in a variety of locales – including where the defendant is incorporated or has its principal place of business or where the plaintiff resides in certain

instances.

Patent Application Secrecy

Current law requires a patent application to be made public 18 months after its submission, unless the party that filed the application opts out of this provision and the patent application remains secret. This bill removes the "opt out" option and requires the publication of all patent applications 18 months after they were submitted, whether or not patents have been awarded, unless they are abandoned or subject to a secrecy order.

Regulatory Authority

This provision would clarify the authority of the PTO to make procedural rules where appropriate to limit abuses by applicants. Specifically, this amendment clarifies that the Office may make rules that ensure the quality and timeliness of the application process.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. Congress.